

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

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AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY PARIS

AMEMBASSY DUBLIN

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E.O. 11652: N/A

TAGS: ETRD JA EEC

SUBJ: JAPANESE STEEL EXPORT OUTLOOK

REF: A. STATE 227063 B. EC BRUSSELS 8579 C. TOKYO 9283

SUMMARY: JAPANESE STEEL INDUSTRY OFFICIALS HAVE CONFIRMED  
THAT THE INDUSTRY IS CONTINUING TO OBSERVE INFORMAL VOLUNTARY  
RESTRAINTS ON EXPORTS TO THE EC9 AND ESTIMATE THAT CY 75  
EXPORTS TO EUROPE WILL BE ABOUT THE SAME AS CY 74.  
END SUMMARY.

1. EMBOFF RECENTLY DISCUSSED STEEL EXPORT OUTLOOK

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SEPARATELY WITH OFFICIALS OF KAWASAKI AND NIPPON STEEL

CORPS. AND JAPAN IRON AND STEEL EXPORTERS ASSN. ACCORDING THESE SOURCES, TOTAL CRUDE STEEL PRODUCTION FY 75 (ENDS MAR. 31, 1976) EXPECTED TO BE SLIGHTLY OVER 100 MILLION METRIC TONS (MT) OF WHICH 26-27 MILLION MT WILL BE EXPORTED. (CORRESPONDING FY74 FIGURES WERE 114 AND 34 MILLION MT.) ON CY BASIS INDUSTRY ANTICIPATES 1975 EXPORTS (BOTH ORDINARY AND SPECIAL STEEL) TO U.S. OF SLIGHTLY LESS THAN 4 MILLION MT (5.9 MILLION MT IN CY 1974) AND TO EC9 OF SLIGHTLY MORE THAN 1.5 MILLION MT (1.49 MILLION MT IN CY 74).

2. ALL THREE INDUSTRY REPS. CONFIRMED THAT A VERY INFORMAL "HONOR SYSTEM" OF EXPORT RESTRAINTS TOWARD EC9 REMAINS IN EFFECT AS REPORTED REF C. MITI GUIDANCE, THEY SAID, HAS BEEN LIMITED TO INFORMATION ON THE EC ECONOMIC SITUATION AND GENERAL EXHORTATIONS TO EXERCISE RESTRAINT. A PROMINENT MITI THEME, THEY ADDED, IS THAT ECONOMIC INTERDEPENDENCE, REFLECTED IN THE CURRENT WORLDWIDE RECESSION, HAS ENDED FOREVER THE POSSIBILITY OF TURNING TO EXPORTS IN ORDER TO ESCAPE A DOMESTIC SLUMP. ACCORDING TO KAWASAKI REP., GROUND RULES OF THE HONOR SYSTEM CALL FOR EACH COMPANY TO KEEP TOTAL CY 75 EXPORTS TO EC BELOW CY 74 LEVEL AND TO REFRAIN FROM UNDERCUTTING EC DOMESTIC PRICES. HE ACKNOWLEDGED, HOWEVER, THAT SOME PRICE CUTTING IS A FACT-OF-LIFE IN THE CURRENT COMPETITIVE SITUATION. INDUSTRY REPS. STATED THAT STEEL FIRMS ARE NOT CONSULTING ON THESE GUIDELINES IN ANY SYSTEMATIC FASHION FOR FEAR OF RUNNING AFOUL OF JAPAN'S FAIR TRADE COMMISSION AND ANTI-TRUST LAWS IN SOME EC COUNTRIES (PARTICULARLY W. GERMANY). THUS, KAWASAKI OFFICIAL OBSERVED, SOME SLIPPAGE INEVITABLE. HE PREDICTED CY 75 ORDINARY STEEL MILL PRODUCT EXPORTS TO EC OF 1.3 MILLION MT, SLIGHTLY ABOVE THE 1.2 MILLION MT INFORMAL CEILING REPORTED REF. C.

3. IN CONTRAST TO EXPORTS OF 1.35 MILLION MT (BOTH ORDINARY AND SPECIAL STEEL) TO EC IN JAN.-AUG. 1975, A FIGURE WHICH CONSIDERABLY EXCEEDS 1974 EXPORTS FOR SAME PERIOD, JAN.-AUG. 1975 EXPORTS TO U.S., ACCORDING EXPORTERS ASSN., WERE 3.02 MILLION MT, DOWN 10 PERCENT LIMITED OFFICIAL USE

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FROM 3.37 MILLION MT FIGURE FOR SAME PERIOD OF 1974. ONLY EXPLANATION INDUSTRY REPS. ABLE TO OFFER FOR DIFFERENCE IN EXPORT PERFORMANCE TO THE TWO MARKETS IS THAT DIVERSITY IN EUROPEAN BUSINESS CONDITIONS AND GOVT. ECONOMIC POLICIES HAS OFFERED SOME SALES OPPORTUNITIES WHILE IN U.S. "NOBODY IS BUYING." BOTH NIPPON AND KAWASAKI REPS. OBSERVED THAT WITH EC ACCOUNTING FOR LESS THAN ONE PERCENT OF JAPAN'S STEEL EXPORTS IT

WOULD BE INCORRECT TO CONCLUDE THAT THE STEELMAKERS  
HAD TURNED TO THAT MARKET FOR ANY KIND OF SALVATION FROM  
THE RECESSION, HOWEVER, THE JAPANESE INDUSTRY REALIZES,  
THEY SAID, THAT 1975 EXPORTS TO EC AT SAME LEVEL AS  
1974 WILL HAVE CONSIDERABLY GREATER IMPACT THIS YEAR THAN LAST  
BECAUSE OF WORSENING OF BUSINESS CONDITIONS IN EUROPE OVER THE  
PAST YEAR.

4. EXPORT CARTELS FOR STAINLESS STEEL AND GALVANIZED  
IRON SHEETS ARE THE ONLY FORMAL EXPORT RESTRAINTS  
CURRENTLY IN EFFECT FOR THE IRON AND STEEL INDUSTRY.  
SHOESMITH

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